

# Why the Education Tax

The Education Tax Act came  
into force August 2, 1937.

## SECTION 2 OF THE ACT

Provides that the proceeds of  
the Tax shall be used only for  
expenditures incurred for educa-  
tional purposes.

Amount received by the Government Aug. 2, 1937 to April 30, 1938..	\$1,250,000.00
Cost of Administration of Education Tax Act to May 1, 1938, including all equipment, being 5.2 per cent. .	64,708.34
School Grants paid from July 1 to April 30, 1938 .....	2,163,073.54
Advances to School Districts as pay- ment of .25 per cent salary arrears owing to school teachers up to April 30, 1938.....	126,214.86
Number of School Teachers benefiting up to April 30, 1938, in 1012 school districts.....	1,610 teachers

ISSUED BY AUTHORITY OF THE SASKATCHEWAN  
LIBERAL ASSOCIATION, REGINA, SASK.



# Why the Education Tax

The Liberal Party in Saskatchewan, and successive Liberal Governments, have always recognized that education is definitely a provincial government responsibility, financed locally with assistance from the Provincial Government, and one that cannot be neglected at any time.

Continued crop failures and depression since 1929 have created unprecedented difficulties to all governmental bodies in the Province; school districts in the drought area have experienced the greatest difficulty in carrying on. Tax collections in many areas have been practically nil, and the principal revenue of the school districts has been the Government Grant.

The result is that school buildings have been neglected, school supplies have been limited, teachers' salaries greatly reduced, and in many cases it has been impossible for the school districts to pay even reduced salaries, and large amounts of arrears are owing to the teachers.

The difficulties of the school districts were increased when the Anderson Co-operative Government, at the session of the Legislature in 1932, by legislation reduced all School Grants by one-third.

Chapter 45 of the Statutes of Saskatchewan, 1932, "An Act Governing the Payment of School Grants", assented to April 13, 1932, amending all existing legislation respecting school grants was brief and explicit; it is as follows:

"His Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

"1. Notwithstanding anything contained in any Act all grants payable under The School Grants Act and The Secondary Education Act shall be reduced by one-third.

"2. This Act shall be effective as from the first day of January, 1932."

This reduced the Government Grant to each primary school room throughout the province by the sum of \$100 per year, (except in those districts where six or more rooms were maintained and here also the cut was one third); and by the sum of \$300 per annum for every collegiate, high school or continuation room in the province.

Every Liberal member of the Legislative Assembly opposed this reduction of one-third in the School Grants, and voted against it.

Every Conservative, Independent, Progressive, and Farmer-Labor supporter of the Anderson Co-operative Government, with the exception of one, voted in favor of the reduction.

## Local Districts' Problem

This legislation had the effect of confronting local school districts with the problem of either reducing the amount of teachers' salaries by an amount equivalent to the reduction of the Government Grant, or to increase the tax levy upon the land in order to maintain the

expenditure for schools at the previous level. On the other hand, the municipalities, through which the school districts received their funds, were experiencing difficulties on account of reduced revenues due to drought conditions and crop failure.

The action of the Anderson Co-operative Government by this legislation reduced the Provincial Government's contribution to education by one-third, and to this extent it increased the financial responsibility of every citizen who contributed to the funds necessary for the upkeep of the school system.

That the schools have been kept in operation despite these difficulties, is due to the sacrifices made by the teachers, school officials, and the people generally, and the splendid manner in which they have co-operated to maintain the educational services of the Province cannot be too highly commended.

### **This Pledge of Liberals Kept**

Prior to the election of 1934, the Liberal party gave a pledge to the people of Saskatchewan that when returned to power, School Grants would be restored. Since the present Liberal Government came into office, it has maintained as one of its primary objectives the restoration of School Grants to their former level. This pledge has been kept.

However, continued crop failures and falling revenues made it impossible to restore School Grants unless additional revenues could be secured. As a consequence of unsatisfactory conditions, school trustees, teachers and citizens of Saskatchewan in general, repeatedly urged upon the Government the necessity for some special provision being made in the matter of school financing.

### **Inquiry Into the Tax Structure**

The Liberal Government as the result of these representations that land was already bearing too heavy a burden of taxation and that other sources of revenue should be explored, appointed a Commission of Inquiry into Provincial and Municipal Taxation, more generally known as "The Jacoby Commission" with Neil H. Jacoby, a native son of the Province and a graduate of the University of Saskatchewan, as chairman. There were associated with Mr. Jacoby, Dr. H. H. Christie, Esterhazy, past president of the Saskatchewan Medical Association, LeRoy Johnson, K.C., Moose Jaw, past president of the Saskatchewan Urban Municipal Association and an alderman of the City of Moose Jaw at that time; J. J. McGurran, Secretary of the Association of Saskatchewan Rural Municipalities, and C. E. Little, K.C., Secretary of the Saskatchewan School Trustees Association. The report of the Commission was received by the Government December 19, 1936.

The whole tax structure of the Province was inquired into by this Commission and it was studied from the standpoint of broadening the basis of taxation and relieving land from the burden of taxation, which had over a period of years slowly and steadily been increasing.

The definite recommendation was made by the Commission on page 158 of the report, as follows:

"The Commission recommends the immediate enactment in Saskatchewan of a General Consumers' Tax based upon the purchase of goods and services by consumers, at the rate of

2 per cent. of the purchase price. The Commission considers this recommendation one of the most important elements in the financial programme outlined in this report."

Again at page 180, the Commission says:

"The relative equality in the distribution of income as between persons in Saskatchewan makes a general consumers' tax much less regressive and inequitable in its operation than in richer and established areas, where there are great variations in individual income and much saving on the part of the higher income-groups".

Throughout the report of the Jacoby Commission repeated reference is made to the desirability and necessity of correcting the mal-apportionment of taxation among the different economic groups in the Province and thereby bringing relief to property owners which would be positive and certain.

### BANK OF CANADA REPORT

But the Jacoby Commission was not the only body which investigated the financial position of the Province of Saskatchewan. Mr. G. F. Towers, Governor of the Bank of Canada, in response to an invitation from the Premiers of Saskatchewan and Manitoba, and the Minister of Finance of the Dominion Government, undertook an examination of the financial positions of these two Provinces. The investigation which was conducted by Mr. Towers was a broad general survey of the province's position and the factors which had been responsible therefor.

Among the salient observations respecting the education services made by Mr. Towers in his report were:

At page 14: "The school teachers are in part the responsibility of the rural municipalities which, however, are, in a large part of the province, completely bankrupt. The current level of teachers' pay is distressingly low, and the standards of education must eventually suffer."

On page 15, Mr. Towers touches on the matter of securing additional revenue from corporations or personal income taxes, and he comments, as did the Jacoby Commission, on the fact that it is utterly impossible to secure revenue in Saskatchewan on the basis of a "soak the rich" policy. He says:

"It is difficult for Saskatchewan to increase its revenue from corporations or personal income taxes, since few large net incomes are domiciled in Saskatchewan (only seven individuals reported incomes of \$15,000 or more in the latest published returns) although Saskatchewan residents may help create such incomes in other sections of the country."

Mr. Towers was of the opinion that the existing situation on current account was not hopeless. The organization of the Board of Revenue Commissioners and the reorganization of the Audit Department had brought encouraging results. He said:

"With improvement in crop yields, and with a tax system adjusted to approximately the same level as in Manitoba, the present deficit on current account could be met, and provision made for some of the essential services now being neglected. During the prosperous years the Province saw fit to maintain a

system of taxation which gave negligible results in relation to the income of that period and, after prosperity waned, it was somewhat belated in making adjustments. It seems inevitable that an effort must now be made to pay from current income for these current services which are desired. The present schedule of taxation cannot produce this result on the basis of the present income level; it is not particularly well adapted to securing a fair share of revenue from any prosperous or moderately well-to-do sections; and it is somewhat below that in neighboring provinces."

It must be borne in mind that the present Government of the Province of Saskatchewan had prior to the investigation held by Mr. Towers made representations to the Government of Canada that it would require additional financial assistance from the Federal Government. It was largely because of these and similar representations made by the Government of Manitoba that the Governor of the Bank of Canada was asked by the Federal Minister of Finance to conduct his survey.

### **More Taxation Necessary**

Because of these facts outlined above, the comment of Mr. Towers on the necessity for additional taxation by the Government of Saskatchewan is most pertinent to the matter of the Education Tax. At page 26, Mr. Towers says:

"As a necessarily arbitrary estimate, and allowing for the greater reduction of provincial income in Saskatchewan than in other sections, we believe that the Government would have to raise approximately 2 millions a year more, at the current level of provincial income, to put Saskatchewan on an equal footing with Manitoba."

Then in closing his report respecting Saskatchewan, Mr. Towers after referring to the need for a complete inquiry into financial powers and responsibilities of all governing bodies in Canada, said:

"The Dominion Government's intention to appoint a Royal Commission (The Rowell Commission) to conduct an inquiry along these lines has been announced by the Prime Minister in the House of Commons on February 16. Pending the report of this Commission, it would appear to us, that in the case of the Province of Saskatchewan, the Dominion Government would be justified in extending temporary financial aid. As indicated in paragraph 8 of this Summary, however, we believe that Saskatchewan itself should also make a contribution towards providing additional funds for current requirements."

Mr. Towers made his recommendation that Saskatchewan receive "temporary financial aid" contingent upon the Government of Saskatchewan raising "approximately 2 millions a year more at the current level of provincial income to put Saskatchewan on an equal footing with Manitoba."

### **Both Reports Recommended Increased Taxation**

These inquiries definitely established that Provincial Revenues would not permit the restoration of School Grants to the former level unless additional revenues could be secured, and in both reports recommendations were made that the Government should increase

taxation. The Government was faced with the alternatives of reducing the grants further, or, leaving them as they were, or, doing as necessity dictated increasing the school grants. The latter could only be done by levying additional taxation which would provide revenue to permit them being increased.

After the Government had given the matter the most-serious and careful consideration the decision was made that the needs of education were so imperative that it would be justified in levying new taxes for this purpose and this decision was supported by a large majority of the members of the Legislative Assembly.

No Government willingly levies new taxation, and, does so only when the needs of the public service demand it.

### **Education is Important Responsibility**

There is no citizen of Saskatchewan but will admit that education is one of the most important responsibilities of the state and most of them will agree that the exceptional difficulties that have existed in Saskatchewan in recent years, have been such as to justify the Government and the people making every possible effort to maintain educational services at the highest standard possible under the conditions.

The expenditure of the Government of Saskatchewan for Educational purposes in previous years illustrates in a most compelling manner the necessity for the Education Tax. The provincial fiscal year ends on April 30, and the expenditures for the fiscal year are set out in the Provincial Public Accounts. These Public Accounts show the following expenditures for Educational purposes:

Fiscal Year	School Grants	Total Amount for Education
1928-29.....	\$2,510,677.71	\$3,790,515.19
1929-30.....	2,553,274.28	3,910,349.17
1930-31.....	2,573,170.62	4,039,621.29
1931-32.....	2,948,522.39	4,278,555.78

Anderson Co-operative Government reduced the School Grants

January 1, 1932—

1932-33.....	1,842,741.03	2,888,576.78
1933-34.....	1,584,363.61	2,475,534.12
1934-35.....	1,837,575.10	2,631,788.56
1935-36*.....	2,177,200.44	3,106,617.35
1936-37.....	1,865,001.92	2,925,274.87
1937-38.....	2,153,073.54	3,282,800.00
1938-39.....	2,743,400.00	4,014,093.00

\*The unusual increase in school grants shown above for the fiscal year 1935-36 is accounted for by the fact that some grants were earned, but not paid, in 1933-34 and these accumulated grants were paid in 1935-36.

The figures for the fiscal year 1938-39 represent the amount of \$3,777,093 voted by the Legislature for General Services of the Department of Education; \$105,000 the estimated proportion of 1937-38 revenue from Succession Duties; \$132,000, the estimated proportion of 1937-38 revenue from The Corporations Taxation Act. Also to this total of \$4,014,093 should be added the sum of \$74,720 voted by the Legislature for administration of the Department of Education.

## Powers of Taxation

The British North America Act places very definite restrictions on the kind of taxes which a Province may legally levy, and under the Dominion Constitution the provinces are restricted to "direct taxation within the Province."

The provinces are handicapped in exercising their powers of taxation by being compelled to legislate so that their taxation is "direct" and that it is "within the Province." There are many instances of various taxes levied by different provinces since Confederation having been declared *ultra vires* (not within the powers of the Province) by decision of the Privy Council.

When the question of levying new taxes was raised many people immediately suggested a special tax on the wealthier class of the population, for "soak the rich" has been an ever popular slogan. There are no huge accumulations of wealth in the hands of a few people in Saskatchewan which are found in some other parts of the Dominion. Both the Jacoby Commission and the Bank of Canada report are most definite on this point.

## On Broad Basis

Land was already over-burdened with taxation, and, a tax, to bring in the necessary substantial revenue, had to be levied on a broad basis so that as many people as possible will make a contribution to the Provincial Treasury. With these facts in mind, and also the limitation by the Constitution that confined the province to "direct" taxation, it was decided to levy a tax on all retail purchases of tangible personal property.

To levy the Education Tax as a turnover tax or as a tax on gross sales of merchants, admittedly would simplify the problems of administration and collection, but such a tax would be an "indirect" tax not within the powers of the Province. No doubt many merchants would have been prepared to pay such a tax, they could not have been compelled to do so and, most certainly, a law levying such a tax would have been challenged in the courts and declared *ultra vires*.

## Legislation Passed in 1937

The Education Tax Act was passed at the 1937 session of the Legislature and it came into force on August 2, 1937, upon proclamation of the Lieutenant Governor-in-Council.

Clause 2 of the Act specifically sets forth the purposes of the Act, and the purpose for which revenue secured from the Education Tax may be used, in the following manner:

**"THE TAX IMPOSED BY THIS ACT SHALL BE KNOWN AS THE EDUCATION TAX, AND THE PROCEEDS OF THE TAX SHALL BE USED ONLY FOR EXPENDITURES INCURRED FOR EDUCATIONAL PURPOSES."**

This is a clear, definite statement and it is difficult to understand why there should be any question raised as to the disposition of the proceeds. They cannot be used for any other purpose than for Education.

All revenue received from The Education Tax is deposited in a separate bank account and expenditure of this revenue is under the

control of the Provincial Auditor, an officer of the Legislative Assembly, independent of the Government, and his removal from office can only be brought about by a vote of the Legislative Assembly. He cannot be dismissed by the Government.

### **Every Dollar for Education**

In addition to the provisions of this Legislation as to the use of the proceeds of the tax for Educational Purposes only, Premier W. J. Patterson, Provincial Treasurer, and Hon. J. W. Esley, Minister of Education, have on several occasions, both in the Legislature and in public addresses, stated most explicitly that every dollar received as revenue from The Education Tax, less the cost of the administration of The Education Tax Act, has been, and will in the future, be used for Educational purposes only.

### **Exemptions Defined in Act**

The Education Tax Act levies a tax of two per cent. on all purchases of tangible personal property, except for certain specific exemptions which are definitely named in the Act. This clause of the Act, which is most important, both from the standpoint of the citizens of the Province, who are required to pay the Education Tax, and that of the Government which receives the revenue from the tax, reads:

"6. There are hereby specifically exempted from the provisions of this Act and from the computation of the amount of tax leviable or payable by the consumer or user in respect of the consumption or use of tangible personal property, the following classes of tangible personal property sold at retail sales in the Province, that is to say: 'Bread, flour, milk, including buttermilk, cream, butter, eggs, sugar, fresh meat, fresh poultry, fresh fish, water, coal, wood, newspapers, gasoline taxable under The Gasoline Act, farm implements and parts, farm machinery and parts, grain and mill feeds, binder twine, fishing nets, agricultural products (including live stock) produced within the Province when sold by the producer thereof, and railway rolling stock, ties and steel rails.'"

### **Alberta's Experiment Failed**

Having decided to levy the Education Tax to implement the public demand, that more money be made available for Educational purposes, the Government, in framing the legislation, followed certain essential elements of such a law suggested by the Jacoby Commission Report, page 161:

"The law should exempt farm implements and machinery, exclusive of trucks and other motor vehicles, and a few essential food products such as bread, milk and sugar. These exemptions should be few and clearly defined by statute, and no power should be granted to the Lieutenant-Governor-in-Council to extend the list of exemptions. The experience of the Province of Alberta, wherein the Executive Council has power to make exemptions from the tax, shows that the productivity of such a tax is readily destroyed through constantly widening the list of exemptions."

### **All Vendors Licensed**

The Education Tax Act provides that every merchant and retailer of tangible personal property shall be licensed under the Act as a



vendor, and that such merchant or retailer shall be responsible for the collection of the Education Tax on all articles he sells that are liable to taxation.

Since The Education Tax Act came in operation August 2, 1937, the levying of the tax has been very generally accepted as necessary and proper, and has been paid without any serious objection or criticism. The licensed vendors generally have given the utmost co-operation and have been most helpful in securing an effective administration of the Act.

### **School Grants Increased**

At the same session of the Legislature at which the Education Tax Act was passed, legislation was introduced and passed amending The School Grants Act to provide for an increase in grants to be paid to all schools of the Province. Reference was made earlier to the total expenditure for Education in the various fiscal years 1928-29 to 1936-37. In this table it is readily seen that, with the legislation to reduce the School Grants by ONE-THIRD, passed by the Anderson Co-operative Government in 1932, the Provincial Expenditure for Education was greatly reduced, and that it dropped to a total of less than \$2,500,000 in the fiscal year 1933-34, but it has been increased to over three million dollars in the last fiscal year, and that it will be in excess of four million dollars in the fiscal year 1938-39.

By the 1937 amendments to The School Grants Act the grants to Public Schools were restored as from July 1, 1937, to the same levels as they were prior to the reduction brought about by the Anderson Co-operative Government in 1932. The grants to Secondary Schools as from July 1, 1937, were also increased substantially.

### **Payable to All Public Schools**

The increase in the School Grants, commencing July 1, 1937, is applicable to every Public School in the Province, and the Grant to every public school from the Provincial Treasury has been increased by fifty per cent. A one room rural school, formerly paid a grant of One Dollar per teaching day, is now being paid a grant from the Provincial Treasury of One Dollar and Fifty Cents, per teaching day. This means that every public school room in rural Saskatchewan receives \$100 per year more than it received last year. For larger schools the grant is at a somewhat lower rate, but the increase is on the same basis, that is, an increase of fifty per cent. Schools in the cities, towns and villages of the Province have benefited from the proceeds of the Education Tax in the form of increased grants in exactly the same proportion as have rural schools throughout the entire Province.

There are over 5,100 school districts in the Province, and, in addition to the increase in School Grants from the Provincial Treasury, many of these schools have been assisted by the Government by way of providing fuel. The Government provided approximately \$210,000 to enable over 2,300 school districts to purchase winter fuel for their schools.

The Government has also made loans to school districts for repairs, supplies, and payments to teachers. It has also prepaid the grant in order to assist a large number of schools.

In the fall of 1937 the Government advanced the sum of \$100,-053.75 to the school districts by way of prepayments on account of grant and thereby assisted 1,866 districts in making salary payments to 2,115 teachers.

### **The Teachers' Salary Arrears**

When the Legislative Assembly had The Education Tax and the amendment to The School Grants Act before it, there was another factor which influenced the members of the Assembly in their consideration of both Acts. Many school districts, because of crop failure and consequent lower municipal revenue, have been unable to pay their teachers' salaries in full, and large arrears of salaries owing to teachers have accumulated. It is estimated that these arrears as at December 31, 1935, had reached a total approximating \$800,000. The greater percentage of this amount was owing by districts in the area to which the Voluntary Debt Adjustment Plan of September, 1935, applied and, in that area, arrears of taxes prior to January 1, 1935, were cancelled, thus wiping out the asset which represented the security behind the notes held by the teachers.

The Government, therefore, decided that it would undertake to assist in liquidating these notes given to teachers over a period of years.

### **\$200,000 Appropriated for Notes**

To fulfil this undertaking, the Government included in the estimates for the fiscal year 1937-38, the sum of \$200,000 to be loaned to school districts. It is estimated that this amount will enable these school districts to pay twenty-five per cent. of the unpaid teachers' notes down to the date mentioned, and the intention is to advance to the school districts a further twenty-five per cent. each year for the following three years until this item of approximately \$800,000 of outstanding teachers' salary arrears has been entirely liquidated.

The Government at the session of the Legislature that closed March 23, 1938, included in the estimates for the fiscal year 1938-39 a second sum of \$200,000 to be advanced as loans to school districts for this purpose. This will enable the districts to pay 50 per cent. of the arrears owing each teacher.

If a crop is realized in the fall of 1938, an even larger amount than fifty per cent. will undoubtedly be retired by the school districts.

### **Teachers Get Benefit**

That this provision of \$200,000 per year has been welcomed, by the school districts and teachers, is evident in the fact that, up until April 30, 1938, a total of 1,012 school districts have secured loans from the Government to pay teachers twenty-five per cent. of outstanding salary arrears. A total of 1,610 teachers have benefited from the distribution of the sum of \$135,214.86 actually paid out by the Government and received by teachers and transferees of these notes who had given full value therefor, to teachers. By the end of the fiscal year April 30, 1938, every teacher holding a note from a school board for arrears prior to January 1, 1935, and for whom assistance has been requested will have received payment of at least 25 per cent. of the arrears. In the new fiscal year the second installment of 25 per cent. will be loaned to the districts.

### **Administration of the Act**

The Education Tax Act came into operation August 2, 1937, and the regulations governing the Act require that vendors make quarterly returns at the end of March, June, September and December, reporting their sales and tax collections for the previous three months and remitting the amount of taxes collected during that period.

The first quarterly returns filed covering collections of the Education Tax to September 30, 1937, represented only two months of the operation of the Act. The revenue for this period was slightly over \$350,000. However, during this same period of two months, the Government paid out in school grants over \$1,250,000. The greater part of this amount represented grants for the first term of the current year ending June 30, 1937, but included in this amount was a further amount exceeding \$132,000, advances on the grants being earned in the second term of the then current school term ending December 31, 1937.

Between August 2, 1937, when the Act came into operation, and April 30, 1938, the total receipts from the Education Tax were \$1,250,000.

### **The Tax Commission**

The Provincial Tax Commissioner administers the following acts: The Education Tax Act, The Income Tax Act, The Corporation Tax Act, The Succession Duties Act, Gasoline Act, Railways Taxation Act, The Vehicles Act, and The Traveling Shows Act, for which he receives a salary of \$5,000 a year.

There are engaged in the administration of The Education Tax Act a total of 39 employees, including three inspectors, ten Chartered Accountants, four Bachelors of Accounting and fourteen experienced accountants.

The taxpayers of the Province can be absolutely assured that when they pay the Education Tax, that the cost of administration, which is the only part of the tax collected which will not be devoted to Educational purposes, will not exceed five per cent. It is now possible to accurately estimate the cost of administration, and from the experience of eight months operation it is definitely established that the administration cost will not exceed this estimate. This is a reasonable and moderate cost, as compared with the general cost of collecting taxes, and is in line with and is not in excess of the costs of administration in various States of the United States where similar taxes are collected.

### **Revenue in Separate Account**

As has been already definitely stated, the revenue from the Education Tax is deposited in a separate bank account together with the yearly portion of the Succession Duties allocated to Education; the yearly portion of the Corporations Tax allocated to Education; the interest from the School Land Trust Fund. To this is also added the income other than the payment of principal moneys, (which principal moneys are added to the School Land Trust Fund) derived from the administration of school lands of the Province including interest on school land sales, mining royalties, timber dues, grazing leases, hay leases, oil and petroleum leases, and the royalties and rentals from sodium sulphate and other mineral deposits including coal, sand and gravel situated upon or in school lands. These moneys constitute the

Education Fund of the Province, and additional amounts required for education are provided from the general revenues of the Province.

### **School Land Trust Fund**

The School Land Trust Fund is defined by Section 40 of The Dominion Lands Act, 1908, which is as follows:

"40. ALL MONEYS from time to time realized from the sale of school lands shall be invested in securities of Canada to form a school fund, and the interest arising therefrom, after deducting the cost of management, shall be paid annually to the Government of the Province, within which such lands are situated, towards the support of schools organized and carried on in accordance with the law of such province; and the moneys so paid shall be distributed for that purpose by the said government in such manner as it deems expedient. 1908 C. 20."

At the time the natural resources were transferred to the Province of Saskatchewan the School Land Trust Fund amounted to \$17,809,039. This amount is invested in Dominion of Canada 4 per cent. Debenture Stock.

The total of the capital fund has been substantially increased and stands at \$18,227,489 as at April 30, 1938. The Anderson Co-operative Government disregarded the provisions of the agreement under which they took over the Natural Resources from the Dominion and invested the capital moneys of this fund in other than securities of the Dominion of Canada. This practice was discontinued by the present Liberal Government and the capital money now realized is invested in Dominion securities, as the law provides.

### **Confirmed by Natural Resources Agreement**

This investment was made pursuant to Section 40 of the Dominion Lands Act, and was confirmed and ratified by clause 7 of the Natural Resources Agreement between the Dominion of Canada and the Province of Saskatchewan.

It is provided by Clause 7 of the Natural Resources agreement by which the Natural Resources were transferred from the Dominion to the Province that the interest shall be set aside and shall continue to be administered by the Province in accordance with the provisions of Sections 27 to 40 of the Dominion Lands Act, 1908, for the support of schools organized and carried on in the Province in accordance with the law of the Province.

### **Cannot Touch Capital Fund**

The Province cannot expend a single dollar of the capital of the fund, for it is explicitly provided by Section 40 of the Dominion Lands Act that the capital shall be invested in securities of Canada and only the annual interest earned by the capital fund used for school purposes.

The School Land Trust Fund capital is not available and cannot be used by the Government of the Province of Saskatchewan to pay teachers' notes and repair school buildings and for school equipment.

Promises made by the Saskatchewan Conservative party leader that the capital of the School Land Trust Fund will be utilized by the Conservative party if and when elected to office in Saskatchewan, are promises which the Conservative party cannot fulfil.